

Remarks by José Manuel Salazar-Xirinachs, Executive Secretary of ECLAC

On occasion of the visit of Dr. Kao Kim Hourn,

Secretary-General of the Association of Southeast Asian Nations (ASEAN)

Thursday 5th, September, 2024

- His Excellency Dr. Kao Kim Hourn, Secretary-General of the Association of Southeast Asian Nations,
- Ms. Claudia Sanhueza, Undersecretary of International Economic Relations at the Ministry of Foreign Affairs of Chile,
- Members of the diplomatic and academic communities,
- Colleagues and friends,

I wish to give a very warm welcome to ECLAC to Dr. Kao Kim Hourn and his high-level delegation.

Dr. Hourn, it is an honor to host you today at our headquarters.

Our greetings to all persons present and connected virtually,

It is an honor to organize this event jointly with me Ministry of Foreign Affairs of Chile.

Our Regional Commission was established in 1948 as the world was still emerging from the horrors of the Second World War. Our founding mandate was, and remains, to promote the development of the 33 countries of Latin America and the Caribbean.

In a region historically dependent on the exports of natural resources, we have consistently advocated policies aimed at transforming the economic structures of Latin American countries towards more knowledge-intensive industries and activities. This overarching concern is reflected in the structuralist school of economic thought that has become a hallmark of ECLAC.

We are proud of our intellectual heritage. At the same time, we have always been aware of the need to adjust our economic thought to the many changes that have taken place at the global level over the last 76 years.

In fact, in our articles in the Special 75th Anniversary Issue of CEPAL Review, published in December last year we made a call to rethink, reimagine and of course transform the realities of the gaps in our development patterns, and we also insisted on discussing not only the “whats” but also the “hows” for moving towards a more productive, inclusive and sustainable development model”. This call is very much in line with our critical tradition of innovative thinking about the development challenges of Latin America and the Caribbean and the world.

One of the most important geoeconomic and geopolitical changes in the world economy has been the increasing weight and prominence of Asia in the world economy, not just as “the world’s factory” but also as its most dynamic consumer market. Asia now absorbs about a quarter of Latin America and the Caribbean’s total exports, compared to just about 5% at the start of this century. However, over 80% of our exports to Asia are made up of raw and processed commodities like oil, soybeans, and copper.

ASEAN is a big part of Asia’s success story. It was established in 1967 against the backdrop of the Cold War, at a time when its founding members had just a few years as independent states following the postwar decolonization process. Therefore, its initial focus was on ensuring peace and security in Southeast Asia.

Since then, ASEAN has continuously evolved and given increasing prominence to economic integration. Today its 10 member states have a combined population of 672 million people, roughly the same as Latin America and the Caribbean, with a combined GDP of 3.6 trillion dollars, some 60% the size of the Latin American and Caribbean economy of almost 6 trillion.

The rate of economic growth of ASEAN as a group from 2010 to 2019 was a remarkable 5.4% per year 2010 and 2019.

Its members are crucial players in the network of manufacturing value chains popularly known as “Factory Asia”. ASEAN membership has helped its least developed members to integrate into the global economy and reduce income gaps with the founding members.

ASEAN has eliminated tariffs on 99% of intra-regional trade and played a key role in the successful conclusion of the world’s largest free trade agreement, the Regional Comprehensive Economic Partnership (RCEP), together with China, Japan, the

Republic of Korea, Australia and New Zealand. It has also worked on reducing and eliminating non-tariff barriers, on making its customs services more efficient, and in improving logistics and transportation.

Thanks to all these economic integration efforts the share of intraregional trade in total trade varies around 23%, while in LAC it varies around 15%.

ASEAN's remarkable achievements owe much to its pragmatic, consensus-based approach to decision making, known as the "ASEAN Way" which, in the words of Kishore Mahbubani, has led to the "ASEAN Miracle".

By contrast, today Latin America and the Caribbean faces three development traps: a long-term inability to grow; high inequality, low social mobility and weak social cohesion; and low institutional and governance capacities.

From 2014 to 2023, the annual economic growth of the region averaged only 0.9%, less than half the 2% of the lost decade of the 1980s, and less than one fifth the figure I just quoted for the rate of growth of ASEAN from 2010 to 2019.

Our GDP per capita is the same we had ten years ago, while the average annual growth of GDP per capita of ASEAN grew at 4,1% from 2010 to 2019. If ASEAN countries could maintain such rate of growth of GDP per capita, this would lead to a doubling of GDP per capita every 18 years.

Unfortunately, we are facing a completely different reality.

As we have been reiterating, to avoid a third lost decade, the countries of our region must urgently step up their productive transformation and growth efforts. This requires implementing active productive development policies, as the dynamic economies of East and Southeast Asia have successfully done for several decades.

Raising our region's growth potential will also demand deeper engagement with Asia, and notably with ASEAN. Two-way trade expanded almost 10-fold since 2001, reaching 107 billion dollars in 2023. However, ASEAN accounts for just 2.7% of LAC exports and 4.9% of its imports. LAC exports mostly primary commodities and imports mainly manufactures from ASEAN, especially from the electronics industry.

In addition, only a handful of Latin American countries have signed free trade agreements with ASEAN members. And bi-regional FDI flows are very low. No ASEAN country features among the top 10 investors in LAC by FDI stock. The only

ASEAN country that appears as a significant source of FDI in LAC in recent years is Singapore, specifically in Brazil and Uruguay.

Summing up, there is a great untapped potential to deepen economic relations between both regions, and we would like to hear from you, Mr. Hourn, how do you see this potential and what you think needs to be done to seize it.

Latin America and ASEAN are mostly middle-income regions. They are also vulnerable to unilateral actions by larger players. Therefore, they share an interest in upholding multilateralism and international cooperation in general. This opens several opportunities for coordination on global affairs, such as in trade, climate change adaptation and mitigation, and financing for implementation of the Agenda 2030 for Sustainable Development.

ASEAN is an effective and integrated actor in the global economy, an objective that has eluded most Latin American and Caribbean integration initiatives. This is the result of the political will of ASEAN members to continue with its collective objectives despite their great differences.

The need to work for economic integration in a pragmatic way as a long-term development objective, transcending ideological differences, is probably ASEAN's most important lesson for the countries of our region.

I hope that this encounter will lead to mutual understanding and collaboration to work together towards a more productive, inclusive and sustainable future in the midst of an increasingly volatile and fragmented global scenario.